

State Building Authority of  
the State of Michigan  
(a blended component unit of  
the State of Michigan)

Audited Financial Statements  
and Other Supplementary Information

*Year Ended September 30, 2011*  
*With Report of Independent Auditors*

State Building Authority of  
the State of Michigan

Audited Financial Statements  
and Other Supplementary Information

Year Ended September 30, 2011

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## Report of Independent Auditors

Mr. John E. Nixon, CPA, Director, Department of Technology, Management & Budget  
Mr. Patrick Devlin, Chair, State Building Authority Board of Trustees  
Mr. Thomas H. McTavish, CPA, Auditor General, Office of the Auditor General

We have audited the accompanying financial statements of the governmental activities and each major fund of the State Building Authority, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements as identified in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State Building Authority as of September 30, 2011 and the respective changes in the financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2011 on our consideration of the State Building Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, though not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 2011 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Andrews Hooper Pavlik PLC*

December 9, 2011  
Okemos, Michigan

## Management's Discussion and Analysis

State Building Authority of the State of Michigan  
Management's Discussion and Analysis

September 30, 2011

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2011. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

- The financial statements and management's discussion and analysis provide both long and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

**Condensed Financial Information**

Fiscal year ended September 30	Governmental Activities	
	2011	2010
Total net assets	\$ (12,218,733)	\$ (18,214,324)
Total assets	\$3,332,415,196	\$3,226,989,179
Short-term debt	\$ 10,500,000	\$ 81,335,000
Long-term liabilities	\$3,151,189,184	\$2,981,601,381
Total liabilities	\$3,344,633,929	\$3,245,203,504
Revenues:		
Program revenues, primarily lease revenue	\$ 151,049,475	\$ 156,467,538
General revenues, entirely investment earnings	\$ 4,094	\$ 4,769
Expenses and transfers to other funds	\$ 145,057,978	\$ 147,101,865
Change in net assets	\$ 5,995,591	\$ 9,370,442

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 6 and 7 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 8 and 9 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 21 of this report.

### **Financial Analysis of the Authority**

Net assets of the Authority increased \$5,995,591 to an ending balance of (\$12,218,733). The increase in net assets is the result of the issuance of the Authority's 2011 Revenue and Revenue Refunding Bonds, Series I-A, I-B, II-A, and II-B in the amount of \$648,235,000. This issuance refunded the remaining 2001 Series I Bonds, refunded a portion of the 2005 Series I Bonds,

refunded a portion of the 2007 Series I Variable Rate Bonds, re-amortized the remaining 2007 Series I Variable Rate Bonds and issued new money bonds.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$183,279,174, an increase of \$51,659,791 in comparison with the prior year. This amount was comprised of debt service fund balance of \$209,200,368 and a fund balance deficit in the capital projects fund of \$25,921,194. This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding.

### **Long-Term Debt Activity**

During the current year, the Authority issued \$648,235,000 in revenue bonds. The revenue bonds were issued to primarily fund various projects previously financed on a short-term basis through the Authority's commercial paper program and refinance previously outstanding bonds. Further information on long-term debt can be found in Note 5 of the financial statements.

### **Recent Events**

On October 6, 2011, the Authority issued \$18,960,000 of commercial paper notes at an interest rate of .18% per annum maturing November 17, 2011.

On November 17, 2011, the Authority issued \$41,265,000 of commercial paper notes at an interest rate of .16% per annum maturing January 12, 2012.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2011 through the date of this report that are expected to effect the Authority's financial position or results of operations.

## Basic Financial Statements

**State Building Authority of the State of Michigan**  
**Statement of Net Assets**  
**September 30, 2011**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Investments	\$ 228,557,957
Accrued interest receivable	96
Current portion of leases receivable	102,999,909
Project costs in progress	37,677,582
Total current assets	<u>369,235,544</u>
<b>Noncurrent assets</b>	
Debt issuance costs, net	19,789,408
Leases receivable, net of current portion	2,943,390,244
Total noncurrent assets	<u>2,963,179,652</u>
<b>Total assets</b>	<u>3,332,415,196</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and other liabilities	639,306
Due to State of Michigan	34,137,709
Accrued interest payable	51,962,730
Short-term debt	10,500,000
Current portion of long-term debt	96,205,000
Total current liabilities	<u>193,444,745</u>
<b>Noncurrent liabilities</b>	
Long-term debt, net of current portion	<u>3,151,189,184</u>
<b>Total liabilities</b>	<u>3,344,633,929</u>
<b>NET ASSETS</b>	
Unrestricted	<u>\$ (12,218,733)</u>

The accompanying notes are an integral part of these financial statements.

**State Building Authority of the State of Michigan**  
**Statement of Activities**  
**Year Ended September 30, 2011**

	<b>Governmental Activities</b>
<b>Expenses</b>	
General government - administration	\$ 1,536,793
Interest on long-term debt	142,301,799
Amortization of debt issuance costs	<u>1,118,019</u>
Total expenses	144,956,611
<b>Program revenues</b>	
Charges for services:	
Lease revenue	147,227,981
Other revenue	<u>3,821,494</u>
Total program revenues	<u>151,049,475</u>
Net revenue (expense)	6,092,864
<b>Other Financing Sources (Uses)</b>	
Transfers to other funds	(101,367)
<b>General revenues</b>	
Unrestricted investment earnings	<u>4,094</u>
Change in net assets	5,995,591
<b>Net Assets</b>	
Beginning of year	<u>(18,214,324)</u>
End of year	<u><u>\$ (12,218,733)</u></u>

**State Building Authority of the State of Michigan**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**September 30, 2011**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
<b>ASSETS</b>					
<b>Current assets</b>					
Investments	\$ 209,370,693	\$ 19,187,264	\$ 228,557,957	\$ -	\$ 228,557,957
Accrued interest receivable	29	67	96	-	96
Current portion of leases receivable	-	-	-	102,999,909	102,999,909
Project costs in progress	-	-	-	37,677,582	37,677,582
Total current assets	209,370,722	19,187,331	228,558,053	140,677,491	369,235,544
<b>Noncurrent assets</b>					
Debt issuance costs, net	-	-	-	19,789,408	19,789,408
Leases receivable, net of current portion	-	-	-	2,943,390,244	2,943,390,244
Total noncurrent assets	-	-	-	2,963,179,652	2,963,179,652
<b>Total assets</b>	<b>209,370,722</b>	<b>19,187,331</b>	<b>228,558,053</b>	<b>3,103,857,143</b>	<b>3,332,415,196</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	170,354	468,952	639,306	-	639,306
Due to State of Michigan	-	34,137,709	34,137,709	-	34,137,709
Accrued interest payable	-	1,864	1,864	51,960,866	51,962,730
Short-term debt	-	10,500,000	10,500,000	-	10,500,000
Current portion of long-term debt	-	-	-	96,205,000	96,205,000
Total current liabilities	170,354	45,108,525	45,278,879	148,165,866	193,444,745
<b>Long-term liabilities</b>					
Long-term debt, net of current portion	-	-	-	3,151,189,184	3,151,189,184
<b>Total liabilities</b>	<b>170,354</b>	<b>45,108,525</b>	<b>45,278,879</b>	<b>3,299,355,050</b>	<b>3,344,633,929</b>
<b>FUND BALANCES</b>					
Restricted	209,200,368	-	209,200,368	(209,200,368)	-
Unassigned	-	(25,921,194)	(25,921,194)	25,921,194	-
<b>Total liabilities and fund balances</b>	<b>\$ 209,370,722</b>	<b>\$ 19,187,331</b>	<b>\$ 228,558,053</b>		
<b>NET ASSETS</b>					
Unrestricted				\$ (12,218,733)	\$ (12,218,733)

The accompanying notes are an integral part of these financial statements.

**State Building Authority of the State of Michigan**  
**Statement of Activities and**  
**Governmental Funds Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended September 30, 2011**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenues</b>					
Investment income	\$ 3,923	\$ 171	\$ 4,094	\$ -	\$ 4,094
Lease revenue	233,104,738	-	233,104,738	(85,876,757)	147,227,981
Other revenue	1,122,319	2,699,175	3,821,494	-	3,821,494
Total revenues	234,230,980	2,699,346	236,930,326	(85,876,757)	151,053,569
<b>Expenditures / Expenses</b>					
Current - general government	1,486,826	57,936	1,544,762	(7,969)	1,536,793
Capital outlay	-	122,840,965	122,840,965	(122,840,965)	-
Capital outlay reimbursed to State of Michigan	-	73,892,905	73,892,905	(73,892,905)	-
Debt service:					
Principal	128,918,988	-	128,918,988	(128,918,988)	-
Interest and fiscal charges	122,588,490	333,403	122,921,893	19,379,906	142,301,799
Debt issuance costs	419,705	3,477,543	3,897,248	(3,897,248)	-
Amortization of debt issuance costs	-	-	-	1,118,019	1,118,019
Total expenditures/expenses	253,414,009	200,602,752	454,016,761	(309,060,150)	144,956,611
Revenues over (under) expenditures/expenses	(19,183,029)	(197,903,406)	(217,086,435)	223,183,393	6,096,958
<b>Other financing sources (uses)</b>					
Long-term debt issued	-	263,539,254	263,539,254	(263,539,254)	-
Premiums on bonds issued	-	5,907,655	5,907,655	(5,907,655)	-
Discounts on bonds issued	-	(94,351)	(94,351)	94,351	-
Refunding debt issued	384,695,746	-	384,695,746	(384,695,746)	-
Discounts on refunding debt	(55,412)	-	(55,412)	55,412	-
Payment to refunding escrow agent	(385,145,299)	-	(385,145,299)	385,145,299	-
Transfers from other funds	7,613,608	-	7,613,608	(7,613,608)	-
Transfers to other funds	-	(7,714,975)	(7,714,975)	7,613,608	(101,367)
Total other financing sources (uses)	7,108,643	261,637,583	268,746,226	(268,847,593)	(101,367)
Excess of revenues and other sources over (under) expenditures/expenses and other uses/changes in net assets	(12,074,386)	63,734,177	51,659,791	(45,664,200)	5,995,591
<b>Fund balances / Net assets (deficit)</b>					
Beginning of year	221,274,754	(89,655,371)	131,619,383	(149,833,707)	(18,214,324)
End of year	\$ 209,200,368	\$ (25,921,194)	\$ 183,279,174	\$ (195,497,907)	\$ (12,218,733)

The accompanying notes are an integral part of the financial statements.

# State Building Authority of the State of Michigan

## Notes to Financial Statements

September 30, 2011

### **Note 1 Summary of Significant Accounting Policies**

#### **Reporting Entity**

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the "Authority"), a blended component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2011. The Authority's activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In accordance with accounting principles generally accepted in the United States of America, there are no other component units included in this financial report.

The Authority was organized under Act 183, P.A. 1964, as amended, and is governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate. The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities and equipment for use by the State or any of its agencies, including public institutions of higher education (universities and community colleges).

The Authority is authorized to issue and sell bonds in an aggregate principal amount outstanding not to exceed \$2.7 billion, excluding refunding bonds. Not included in this limitation is the principal amount of bonds allocated to capitalized interest until the collection of the first rentals from the facility being financed, the principal amount of bonds allocated for debt service reserves and bond issuance expenses, including discounts and bond insurance premiums, and bonds issued to refund outstanding bonds. The Authority is also authorized to issue and sell commercial paper notes as a short-term funding source for capital outlay projects prior to bonding. All bonds and commercial paper are limited obligations of the Authority and are not general obligations of the State or the Authority. The bonds are payable solely from equipment and facility lease payments, investment earnings, insurance proceeds, undisbursed bond proceeds retained by the Authority on a bond issue-specific basis, and any other assets pledged by the Authority to the bondholders.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The Authority-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority follows the accounting rules promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the Authority follows all Financial Accounting Standards Board (FASB) Codification sections applicable on or before November 30, 1989, unless pronouncements conflict with or contradict GASB statements.

The accompanying financial statements present only the State Building Authority. Accordingly, they do not purport to, and do not, present fairly the financial position and the changes in financial position of the State of Michigan or its component units in conformity with accounting principles generally accepted in the United States of America.

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

These notes relate directly to the Authority; the *SOMCAFR* provides more thorough disclosures of the State's significant accounting policies.

**Investments** - Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

**Leases Receivable** - Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

**Project Costs in Progress** - Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

**Debt Issuance Costs** - Debt issuance costs are being amortized using the straight-line method over the life of the related debt. Accumulated amortization was \$6,589,585 at September 30, 2011.

**Federal Arbitrage Liability** - Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

proceeds in excess of interest paid. The Authority recorded an estimated liability of \$10,400 at September 30, 2011.

**Long-Term Liabilities** - Long-term liabilities are reported on the Authority's statement of net assets, net of the applicable bond premiums and discounts, as well as gains or losses on refunding, which are deferred and amortized over the life of the bonds using the effective interest method.

**Lease Revenue** - Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset carrying values.

**Other Revenue** - Other revenue includes adjustments to prior year capital expenditures and proceeds from the State of Michigan relating to the defeasance of certain bonds.

**Fund Balances** - During the year ended September 30, 2011, the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under this statement, fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by the constitution, external resource providers, or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by formal action of the government's highest level of decision-making authority.
- d. Assigned fund balances comprise amounts that are constrained by the government's intent to use the fund balances for specific purposes, but are neither restricted nor committed.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose. The unassigned classification is also used for fund balance deficits.

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

The Authority has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement No. 54 applies expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources.

### **Note 2   Investments**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

The Authority's investments are restricted by State statute to obligations of the State or U.S. government, obligations of which the principal and interest are guaranteed by the State or U.S. government, certificates of deposit of a financial institution, certain commercial paper, and repurchase agreements collateralized by U.S. government obligations and certain investment trusts. Certain other restrictions as to investments are contained in the bond resolution for each bond issue.

At September 30, 2011, the Authority had no deposits and had investments totaling \$228,557,957, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

Applicable risk disclosures under GASB Statement No. 40 for the Authority's investments are as follows.

Credit risk – Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Authority's bond indentures restrict the Authority to investments rated in the highest category by Standard & Poor's and Moody's Investors Service. The Authority's investments in 2a7-like money market accounts with U.S. Bank and Bank of New York Mellon are both rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investors Service.

Custodial credit risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Because investments in money market accounts are not evidenced by securities that exist in physical or book entry form, they are not exposed to custodial credit risk.

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 3 Leases Receivable**

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through June 30, 2046.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2011:

Total minimum lease payments to be received	\$ 5,532,726,204
Less - Unearned income	<u>2,486,336,051</u>
<b>Net leases receivable</b>	<b><u>\$ 3,046,390,153</u></b>
Statement of Net Assets classification:	
Current portion of leases receivable	\$ 102,999,909
Long-term portion of leases receivable	<u>2,943,390,244</u>
<b>Total</b>	<b><u>\$ 3,046,390,153</u></b>

Minimum lease payments to be received from the State of Michigan as of September 30, 2011, are as follows:

2012	\$ 234,256,524
2013	234,623,842
2014	235,028,857
2015	235,454,124
2016	227,229,741
2017 through 2046	<u>4,366,133,116</u>
<b>Total</b>	<b><u>\$ 5,532,726,204</u></b>

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

### **Note 4    Short-Term Debt - Notes Payable**

The Authority issues commercial paper notes to fund capital projects prior to bonding. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum stated amount of \$241,643,835, of which not more than \$225,000,000 may be drawn with respect to the payment of principal of notes, and of which not more than \$16,643,835 may be drawn with respect to the payment of up to 270 days of interest on the notes. The notes have a maximum interest rate of 10 percent per annum. Issuance costs are capitalized as part of project costs. The interest rate on commercial paper notes outstanding as of September 30, 2011 is .18 percent.

Short-term debt activity for the fiscal year ended September 30, 2011 was as follows (in thousands):

Beginning balance	\$	81,335
Additions		105,239
Reductions		(176,074)
		<hr/>
<b>Ending balance</b>	<b>\$</b>	<b>10,500</b>

### **Note 5    Long-Term Liabilities**

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Rentals may only be used for payment of the bonds to which such lease pertains and may not be used for the payment of any other issue of bonds or any other unrelated obligation of the Authority. Each such lease (prior to execution) has been approved by the State Administrative Board; by concurrent resolution of the Legislature adopted by majority vote of the members elected to and serving in each house; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all of the facilities and equipment are appropriated as an annual operating cost by the State.

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or of any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provisions of the leases and certain other funds and revenue provided for in the bond resolution.

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

### **Outstanding Debt**

Changes in long-term debt (excluding defeased bonds) for the fiscal year ended September 30, 2011 is as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Revenue Bonds Payable</b>									
<b>(in thousands)</b>									
2001 Series I Refunding	06/21/01	17	\$ 419,730	4.992%	\$ 304,225	\$ -	\$ (304,225)	\$ -	\$ -
2003 Series I Refunding	07/30/03	19	659,420	3.789%	394,565	-	(48,620)	345,945	51,050
2003 Series II Revenue and Refunding	12/01/03	44	392,590	4.552%	174,530	-	-	174,530	-
2004 Series I Revenue and Refunding	05/27/04	5	155,350	4.208%	98,010	-	(11,945)	86,065	12,565
2005 Series I Refunding	05/26/05	16	293,395	4.852%	264,185	-	(71,885)	192,300	7,665
2005 Series II Revenue and Refunding	10/26/05	7	242,805	4.678%	236,890	-	(2,825)	234,065	3,690
2006 Series I A:									
Serial	09/06/06	n/a	438,300	4.804%	438,300	-	-	438,300	-
Capital appreciation	09/06/06	n/a	395,331	4.804%	478,759	23,085	-	501,844	-
2006 Series I B	09/06/06	n/a	13,735	4.804%	8,695	-	(2,715)	5,980	2,860
2007 Series I Multi-Modal	12/19/07	15	96,500	Variable	94,700	-	(49,715)	44,985	-
2008 Series I Revenue and Refunding	11/20/08	17	192,275	6.083%	192,275	-	(1,670)	190,605	1,720
2009 Series I Refunding	08/19/09	n/a	222,080	4.884%	209,410	-	(8,690)	200,720	9,095
2009 Series II Revenue	12/10/09	10	113,480	4.989%	113,480	-	(1,715)	111,765	2,665
2011 Series IA Revenue and Refunding	07/28/11	13	409,550	5.162%	-	409,550	-	409,550	4,740
2011 Series IB Taxable Revenue Bonds	07/28/11	n/a	12,195	5.694%	-	12,195	-	12,195	-
2011 Series IIA Revenue and Refunding	07/28/11	6	180,700	5.227%	-	180,700	-	180,700	155
2011 Series IIB Refunding (variable)	07/28/11	n/a	45,790	Variable	-	45,790	-	45,790	-
Total revenue bonds payable			<u>\$4,283,226</u>		\$3,008,024	\$ 671,320	\$ (504,005)	\$3,175,339	<u>\$ 96,205</u>
Accrued compensated absences					27	27	(37)	17	
Arbitrage payable					8	2	-	10	
Add (deduct) deferred amounts:									
For issuance discounts					(786)	(150)	29	(907)	
For issuance premiums					93,507	5,908	(19,305)	80,110	
Loss on refunding					(16,164)	(4,290)	13,280	(7,174)	
Total long-term debt					<u>\$ 3,084,616</u>	<u>\$ 672,817</u>	<u>\$ (510,038)</u>	<u>\$3,247,395</u>	
Current portion								\$ 96,205	
Long-term portion								3,151,190	
								<u>\$3,247,395</u>	

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

The 2007 Series I Multi-Modal variable bonds and the 2011 Variable Rate Revenue Refunding Bonds, Series IIB currently bear interest at a weekly rate as determined through remarketing. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements that follow, estimated interest was computed using the weekly rate as of September 30, 2011 of .14%. Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. Both the 2007 Series I and 2011 Series II-B bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2042 and October 15, 2043, respectively.

The 2006 Series IA bonds include both serial and capital appreciation bonds. The capital appreciation bonds have an ultimate maturity value of \$891.8 million on October 15, 2030; the accreted value as of September 30, 2011 is \$501.8 million. For purposes of the following schedule, the accreted maturities of the capital appreciation bonds are shown in the principal maturities column.

### **Debt Service Requirements**

The annual requirements to service the outstanding debt are as follows (in thousands):

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ 96,205	\$ 120,986	\$ 217,191
2013	101,460	124,937	226,397
2014	106,780	119,842	226,622
2015	112,425	114,437	226,862
2016	118,415	108,696	227,111
2017-2021	598,990	478,444	1,077,434
2022-2026	655,115	403,695	1,058,810
2027-2031	683,190	306,070	989,260
2032-2036	612,155	181,731	793,886
2037-2041	394,085	55,058	449,143
2042-2046	86,450	5,063	91,513
	<u>\$3,565,270</u>	<u>\$2,018,959</u>	<u>\$5,584,229</u>

Interest to maturity for the bonds may be significantly less than the amount shown in the above table because many of the bonds (i.e., sinking fund bonds) will be called prior to their final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing, and accrued investment earnings are restricted to projects and debt service on the related bonds.

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

### **Defeased Debt**

The Authority has defeased certain bond issues by placing refunding bond proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The following table summarizes the defeased bonds outstanding at September 30, 2011 (in thousands):

1997 Series II *	\$ 15,918
2000 (MSP Phase II)	2,310
2001 Series I	59,440
2001 Series I Refunding	306,360
2001 Series II	95,960
2001 (MSP Phase III)	12,115
2002 (MSP Phase IV)	10,655
2002 Series III Refunding	164,345
2003 Series II Refunding	155,835
2005 Series I Refunding	64,545
<b>Total</b>	<b><u>\$887,483</u></b>

\* The 1997 Series II bond issue includes capital appreciation bonds with an ultimate maturity value of \$16.4 million. The accreted value of this issue at year-end is \$15.9 million.

### **Note 6 Net Asset Deficit and Capital Projects Fund Balance Deficit**

The Authority is reporting a net asset deficit balance of \$12,218,733 at September 30, 2011.

The capital projects fund is reporting a fund balance deficit of \$25,921,194. The capital projects fund balance deficit resulted because the issuance of commercial paper represents a fund liability and the corresponding construction projects are not reported as assets in the fund.

### **Note 7 Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides insurance coverage for the Authority.

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

### Note 8 Adjustments

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net assets, which reconciles fund balances to net assets:

<b>Fund balances</b>	\$ 183,279,174
<b>Adjustments:</b>	
Leases receivable are not current financial resources and therefore are not reported in the governmental funds	3,046,390,153
Project costs financed by short-term borrowings are temporarily capitalized for net assets until lease agreements are executed	37,677,582
Deferred charges for bond issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized for net assets	19,789,408
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(3,175,338,578)
Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net assets (and added to bonds payable)	(80,110,284)
Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	907,025
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	7,174,924
Accrued compensated absences and arbitrage payable are not recorded by governmental funds	(27,271)
Accrued interest payable on bonds is not recorded by governmental funds	(51,960,866)
<b>Net assets</b>	<b><u>\$ (12,218,733)</u></b>

# State Building Authority of the State of Michigan

## Notes to Financial Statements (continued)

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures, and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net assets:

<b>Net change in fund balances</b>	<b>\$ 51,659,791</b>
<b>Adjustments:</b>	
Amounts received for lease payments include both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues.	(85,876,757)
Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for net assets	128,918,988
Construction costs are recorded as expenditures in the funds, but increase leases receivable or project costs in progress for net assets	196,733,870
The issuance of bonds provides current financial resources and bond issuance costs and premiums are a use or source of current financial resources, respectively. These transactions do not affect net assets and therefore are eliminated:	
Bond and refunding bond proceeds	(648,235,000)
Bond issuance costs	3,897,248
Premiums on bonds	(5,907,655)
Discounts on bonds	149,763
Payments to refunding escrow agent	385,145,299
Portion of escrow payments applicable to accrued interest	(5,768,971)
Accrued interest expense on bonds, accretion of capital appreciation bonds, and the amortization of bond issuance costs, premiums, and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net assets:	
Accrued interest expense	5,288,101
Accretion of capital appreciation bonds	(23,084,524)
Amortization of bond issuance costs	(1,118,019)
Amortization of premiums on bonds	7,591,331
Amortization of discounts on bonds	(28,808)
Amortization of loss on refunding	(3,377,035)
Estimated liability for arbitrage and accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining net assets	7,969
<b>Change in net assets</b>	<b><u>\$ 5,995,591</u></b>

State Building Authority of the State of Michigan

Notes to Financial Statements (continued)

**Note 9    Subsequent Events**

On October 6, 2011, the Authority issued \$18,960,000 of commercial paper notes at an interest rate of .18% per annum maturing November 17, 2011.

On November 17, 2011, the Authority issued \$41,265,000 of commercial paper notes at an interest rate of .16% per annum maturing January 12, 2012.

## Other Supplementary Information

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 5**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ 3,260,793	\$ 3,260,793
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 3,260,793</u>	<u>\$ 3,260,793</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ 457,733	\$ 457,733
Due to State of Michigan	-	29,980,641	29,980,641
Accrued interest payable	-	1,864	1,864
Short-term debt	-	10,500,000	10,500,000
	<u>-</u>	<u>10,500,000</u>	<u>10,500,000</u>
<b>Total liabilities</b>	-	40,940,238	40,940,238
<b>PROJECT EQUITY (DEFICIT)</b>			
Restricted (deficit)	-	(37,679,446)	(37,679,446)
	<u>-</u>	<u>(37,679,446)</u>	<u>(37,679,446)</u>
<b>Total liabilities and project equity</b>	<u>\$ -</u>	<u>\$ 3,260,792</u>	<u>\$ 3,260,792</u>
<b>OUTSTANDING DEBT (short-term)</b>			
			<u>\$ 10,500,000</u>

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 5**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	-	-	-
Other revenue	-	339,274	339,274
	<hr/>	<hr/>	<hr/>
Total revenues	-	339,274	339,274
<b>Expenditures</b>			
Current - general government	-	57,936	57,936
Capital outlay	-	106,497,113	106,497,113
Capital outlay reimbursed to State of Michigan	-	9,118,554	9,118,554
<b>Debt service:</b>			
Principal	-	-	-
Interest and fiscal charges	-	333,403	333,403
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	-	116,007,006	116,007,006
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	-	(115,667,732)	(115,667,732)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	171,614,564	171,614,564
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	171,614,564	171,614,564
	<hr/>	<hr/>	<hr/>
Net change in project equity	-	55,946,832	55,946,832
<b>Project equity (deficit)</b>			
Beginning of year	-	(93,626,278)	(93,626,278)
	<hr/>	<hr/>	<hr/>
End of year	\$ -	\$ (37,679,446)	\$ (37,679,446)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2001 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ -	\$ -
Accrued interest receivable	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total liabilities and project equity</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 <b>OUTSTANDING DEBT (long-term)</b>			
			<u><u>\$ -</u></u>

**State Building Authority of the State of Michigan**  
**2001 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 2,696	\$ -	\$ 2,696
Lease revenue	29,923,846	-	29,923,846
Other revenue	1,122,320	-	1,122,320
	<hr/>	<hr/>	<hr/>
Total revenues	31,048,862	-	31,048,862
<b>Expenditures</b>			
Current - general government	-	-	-
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	13,995,000	-	13,995,000
Interest and fiscal charges	15,784,534	-	15,784,534
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	29,779,534	-	29,779,534
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	1,269,328	-	1,269,328
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	(1,154,976)	-	(1,154,976)
Transfers from other funds	-	-	-
Transfers to other funds	(29,731,091)	-	(29,731,091)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(30,886,067)	-	(30,886,067)
	<hr/>	<hr/>	<hr/>
Net change in project equity	(29,616,739)	-	(29,616,739)
<b>Project equity</b>			
Beginning of year	29,616,739	-	29,616,739
	<hr/>	<hr/>	<hr/>
End of year	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 80,711,632	\$ -	\$ 80,711,632
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 80,711,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,711,632</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>80,711,632</u>	<u>-</u>	<u>80,711,632</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 80,711,632</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 80,711,632</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 345,945,000</u></u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	72,247,131	-	72,247,131
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	72,247,131	-	72,247,131
<b>Expenditures</b>			
Current - general government	58,015	-	58,015
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	48,620,000	-	48,620,000
Interest and fiscal charges	19,377,613	-	19,377,613
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	68,055,628	-	68,055,628
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	4,191,503	-	4,191,503
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(5,565,000)	-	(5,565,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(5,565,000)	-	(5,565,000)
	<hr/>	<hr/>	<hr/>
Net change in project equity	(1,373,497)	-	(1,373,497)
<b>Project equity</b>			
Beginning of year	82,085,129	-	82,085,129
	<hr/>	<hr/>	<hr/>
End of year	\$ 80,711,632	\$ -	\$ 80,711,632
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 6,769,647	\$ -	\$ 6,769,647
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 6,769,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,769,647</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>6,769,647</u>	<u>-</u>	<u>6,769,647</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 6,769,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,769,647</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 174,530,000</u></u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	8,726,582	-	8,726,582
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	8,726,582	-	8,726,582
<b>Expenditures</b>			
Current - general government	28,890	-	28,890
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	8,726,500	-	8,726,500
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	8,755,390	-	8,755,390
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(28,808)	-	(28,808)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	26,000	-	26,000
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	26,000	-	26,000
	<hr/>	<hr/>	<hr/>
Net change in project equity	(2,808)	-	(2,808)
<b>Project equity</b>			
Beginning of year	6,772,455	-	6,772,455
	<hr/>	<hr/>	<hr/>
End of year	\$ 6,769,647	\$ -	\$ 6,769,647
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2004 Revenue and Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 14,791,047	\$ -	\$ 14,791,047
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 14,791,047</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,791,047</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>14,791,047</u>	<u>-</u>	<u>14,791,047</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 14,791,047</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,791,047</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 86,065,000</u></u>

**State Building Authority of the State of Michigan**  
**2004 Revenue and Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	17,029,992	-	17,029,992
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	17,029,992	-	17,029,992
<b>Expenditures</b>			
Current - general government	15,746	-	15,746
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	11,945,000	-	11,945,000
Interest and fiscal charges	4,755,800	-	4,755,800
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	16,716,546	-	16,716,546
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	313,446	-	313,446
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	313,446	-	313,446
<b>Project equity</b>			
Beginning of year	14,477,601	-	14,477,601
	<hr/>	<hr/>	<hr/>
End of year	\$ 14,791,047	\$ -	\$ 14,791,047
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 18,722,334	\$ -	\$ 18,722,334
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 18,722,334</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,722,334</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>18,722,334</u>	<u>-</u>	<u>18,722,334</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 18,722,334</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,722,334</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 192,300,000</u></u>

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 638	\$ -	\$ 638
Lease revenue	20,486,330	-	20,486,330
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	20,486,968	-	20,486,968
<b>Expenditures</b>			
Current - general government	32,782	-	32,782
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,340,000	-	7,340,000
Interest and fiscal charges	12,985,225	-	12,985,225
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	20,358,007	-	20,358,007
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	128,961	-	128,961
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(468,362)	-	(468,362)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(468,362)	-	(468,362)
	<hr/>	<hr/>	<hr/>
Net change in project equity	(339,401)	-	(339,401)
<b>Project equity</b>			
Beginning of year	19,061,735	-	19,061,735
	<hr/>	<hr/>	<hr/>
End of year	\$ 18,722,334	\$ -	\$ 18,722,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 13,598,469	\$ -	\$ 13,598,469
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 13,598,469</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,598,469</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>13,598,469</u>	<u>-</u>	<u>13,598,469</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 13,598,469</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,598,469</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 234,065,000</u></u>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 473	\$ -	\$ 473
Lease revenue	15,175,516	-	15,175,516
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	15,175,989	-	15,175,989
<b>Expenditures</b>			
Current - general government	42,291	-	42,291
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,825,000	-	2,825,000
Interest and fiscal charges	11,602,781	-	11,602,781
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	14,470,072	-	14,470,072
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	705,917	-	705,917
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	705,917	-	705,917
<b>Project equity</b>			
Beginning of year	12,892,552	-	12,892,552
	<hr/>	<hr/>	<hr/>
End of year	\$ 13,598,469	\$ -	\$ 13,598,469
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,218,371	\$ -	\$ 19,218,371
Accrued interest receivable	-	-	-
<b>Total assets</b>	<b>\$ 19,218,371</b>	<b>\$ -</b>	<b>\$ 19,218,371</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROJECT EQUITY</b>			
Restricted	19,218,371	-	19,218,371
<b>Total liabilities and project equity</b>	<b>\$ 19,218,371</b>	<b>\$ -</b>	<b>\$ 19,218,371</b>

<b>OUTSTANDING DEBT (long-term)*</b>	<b>\$ 1,336,055,000</b>
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\* The outstanding debt for 2006 Series IA includes the fully accreted value related to its capital appreciation bonds.

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	25,090,291	-	25,090,291
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	25,090,291	-	25,090,291
<b>Expenditures</b>			
Current - general government	138,742	-	138,742
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	2,715,000	-	2,715,000
Interest and fiscal charges	22,302,766	-	22,302,766
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	25,156,508	-	25,156,508
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(66,217)	-	(66,217)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	125,000	-	125,000
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	125,000	-	125,000
	<hr/>	<hr/>	<hr/>
Net change in project equity	58,783	-	58,783
<b>Project equity</b>			
Beginning of year	19,159,588	-	19,159,588
	<hr/>	<hr/>	<hr/>
End of year	\$ 19,218,371	\$ -	\$ 19,218,371
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 1,701,662	\$ -	\$ 1,701,662
Accrued interest receivable	-	-	-
<b>Total assets</b>	<u>\$ 1,701,662</u>	<u>\$ -</u>	<u>\$ 1,701,662</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 99,760	\$ -	\$ 99,760
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	99,760	-	99,760
<b>PROJECT EQUITY</b>			
Restricted	1,601,902	-	1,601,902
<b>Total liabilities and project equity</b>	<u>\$ 1,701,662</u>	<u>\$ -</u>	<u>\$ 1,701,662</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 44,985,000</u>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 63	\$ -	\$ 63
Lease revenue	7,155,004	-	7,155,004
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	7,155,067	-	7,155,067
<b>Expenditures</b>			
Current - general government	834,083	-	834,083
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	3,500,000	-	3,500,000
Interest and fiscal charges	185,094	-	185,094
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	4,519,177	-	4,519,177
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	2,635,890	-	2,635,890
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(6,014,616)	-	(6,014,616)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(6,014,616)	-	(6,014,616)
	<hr/>	<hr/>	<hr/>
Net change in project equity	(3,378,726)	-	(3,378,726)
<b>Project equity</b>			
Beginning of year	4,980,628	-	4,980,628
	<hr/>	<hr/>	<hr/>
End of year	\$ 1,601,902	\$ -	\$ 1,601,902
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 9,977,274	\$ -	\$ 9,977,274
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 9,977,274</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,977,274</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>9,977,274</u>	<u>-</u>	<u>9,977,274</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 9,977,274</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,977,274</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 190,605,000</u></u>

**State Building Authority of the State of Michigan**  
**2008 Revenue and Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	8,785,818	-	8,785,818
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	8,785,818	-	8,785,818
<b>Expenditures</b>			
Current - general government	32,301	-	32,301
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,670,000	-	1,670,000
Interest and fiscal charges	11,162,113	-	11,162,113
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	12,864,414	-	12,864,414
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(4,078,596)	-	(4,078,596)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	2,684,865	-	2,684,865
Transfers to other funds	4,117,879	(2,684,865)	1,433,014
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	6,802,744	(2,684,865)	4,117,879
	<hr/>	<hr/>	<hr/>
Net change in project equity	2,724,148	(2,684,865)	39,283
<b>Project equity</b>			
Beginning of year	7,253,126	2,684,865	9,937,991
	<hr/>	<hr/>	<hr/>
End of year	\$ 9,977,274	\$ -	\$ 9,977,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 18,903,166	\$ -	\$ 18,903,166
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 18,903,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,903,166</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>18,903,166</u>	<u>-</u>	<u>18,903,166</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 18,903,166</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,903,166</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 200,720,000</u></u>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	15,938,650	-	15,938,650
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	15,938,650	-	15,938,650
<b>Expenditures</b>			
Current - general government	33,226	-	33,226
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	8,690,000	-	8,690,000
Interest and fiscal charges	10,385,164	-	10,385,164
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	19,108,390	-	19,108,390
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(3,169,740)	-	(3,169,740)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	4,101,000	-	4,101,000
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	4,101,000	-	4,101,000
	<hr/>	<hr/>	<hr/>
Net change in project equity	931,260	-	931,260
<b>Project equity</b>			
Beginning of year	17,971,906	-	17,971,906
	<hr/>	<hr/>	<hr/>
End of year	\$ 18,903,166	\$ -	\$ 18,903,166
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**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 7,952,273	\$ 3,384,473	\$ 11,336,746
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 7,952,273</u></u>	<u><u>\$ 3,384,473</u></u>	<u><u>\$ 11,336,746</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Restricted	<u>7,952,273</u>	<u>3,384,473</u>	<u>11,336,746</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 7,952,273</u></u>	<u><u>\$ 3,384,473</u></u>	<u><u>\$ 11,336,746</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			
			<u><u>\$ 111,765,000</u></u>

**State Building Authority of the State of Michigan**  
**2009 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	8,759,016	-	8,759,016
Other revenue	-	2,359,901	2,359,901
	<hr/>	<hr/>	<hr/>
Total revenues	8,759,016	2,359,901	11,118,917
<b>Expenditures</b>			
Current - general government	19,251	-	19,251
Capital outlay	-	193,326	193,326
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,715,000	-	1,715,000
Interest and fiscal charges	5,313,788	-	5,313,788
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	7,048,039	193,326	7,241,365
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	1,710,977	2,166,575	3,877,552
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	-	-
Refunding debt issued	-	-	-
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(762,000)	(68,145)	(830,145)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(762,000)	(68,145)	(830,145)
	<hr/>	<hr/>	<hr/>
Net change in project equity	948,977	2,098,430	3,047,407
<b>Project equity</b>			
Beginning of year	7,003,296	1,286,043	8,289,339
	<hr/>	<hr/>	<hr/>
End of year	\$ 7,952,273	\$ 3,384,473	\$ 11,336,746
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**State Building Authority of the State of Michigan**  
**2011 Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 12,787,192	\$ 6,263,420	\$ 19,050,612
Accrued interest receivable	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 12,787,192</u>	<u>\$ 6,263,420</u>	<u>\$ 19,050,612</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ 6,218	\$ 6,218
Due to State of Michigan	-	1,829,203	1,829,203
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	1,835,421	1,835,421
<b>PROJECT EQUITY</b>			
Restricted	<u>12,787,192</u>	<u>4,427,999</u>	<u>17,215,191</u>
<b>Total liabilities and project equity</b>	<u>\$ 12,787,192</u>	<u>\$ 6,263,420</u>	<u>\$ 19,050,612</u>
 <b>OUTSTANDING DEBT (long-term)</b>			
			<u>\$ 421,745,000</u>

**State Building Authority of the State of Michigan**  
**2011 Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ -	\$ -	\$ -
Lease revenue	2,230,206	-	2,230,206
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	2,230,206	-	2,230,206
<b>Expenditures</b>			
Current - general government	150,000	-	150,000
Capital outlay	-	10,982,469	10,982,469
Capital outlay reimbursed to State of Michigan	-	62,115,082	62,115,082
Debt service:			
Principal	24,694,105	-	24,694,105
Interest and fiscal charges	-	-	-
Debt issuance costs	-	2,511,509	2,511,509
	<hr/>	<hr/>	<hr/>
Total expenditures	24,844,105	75,609,060	100,453,165
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(22,613,899)	(75,609,060)	(98,222,959)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	149,664,152	149,664,152
Premiums on bonds issued	-	5,907,655	5,907,655
Discounts on bonds issued	-	-	-
Refunding debt issued	272,080,848	-	272,080,848
Discounts on refunding debt	-	-	-
Payment to refunding escrow agent	(272,080,848)	-	(272,080,848)
Transfers from other funds	3,365,000	-	3,365,000
Transfers to other funds	32,036,091	(75,534,748)	(43,498,657)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	35,401,091	80,037,059	115,438,150
	<hr/>	<hr/>	<hr/>
Net change in project equity	12,787,192	4,427,999	17,215,191
<b>Project equity</b>			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	\$ 12,787,192	\$ 4,427,999	\$ 17,215,191
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**State Building Authority of the State of Michigan**  
**2011 Revenue Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 4,237,627	\$ 6,278,580	\$ 10,516,207
Accrued interest receivable	29	67	96
<b>Total assets</b>	<b>\$ 4,237,656</b>	<b>\$ 6,278,647</b>	<b>\$ 10,516,303</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 70,594	\$ 5,000	\$ 75,594
Due to State of Michigan	-	2,327,865	2,327,865
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	<b>70,594</b>	<b>2,332,865</b>	<b>2,403,459</b>
<b>PROJECT EQUITY</b>			
Restricted	4,167,062	3,945,782	8,112,844
<b>Total liabilities and project equity</b>	<b>\$ 4,237,656</b>	<b>\$ 6,278,647</b>	<b>\$ 10,516,303</b>
<b>OUTSTANDING DEBT (long-term)</b>			<b>\$ 226,490,000</b>

**State Building Authority of the State of Michigan**  
**2011 Revenue Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2011**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenues</b>			
Investment income	\$ 53	\$ 171	\$ 224
Lease revenue	1,556,356	-	1,556,356
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	1,556,409	171	1,556,580
<b>Expenditures</b>			
Current - general government	101,498	-	101,498
Capital outlay	-	5,168,057	5,168,057
Capital outlay reimbursed to State of Michigan	-	2,659,269	2,659,269
Debt service:			
Principal	1,209,883	-	1,209,883
Interest and fiscal charges	7,113	-	7,113
Debt issuance costs	419,705	966,034	1,385,739
	<hr/>	<hr/>	<hr/>
Total expenditures	1,738,199	8,793,360	10,531,559
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(181,790)	(8,793,189)	(8,974,979)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	113,875,102	113,875,102
Premiums on bonds issued	-	-	-
Discounts on bonds issued	-	(94,351)	(94,351)
Refunding debt issued	112,614,898	-	112,614,898
Discounts on refunding debt	(55,412)	-	(55,412)
Payment to refunding escrow agent	(111,909,475)	-	(111,909,475)
Transfers from other funds	1,563,742	-	1,563,742
Transfers to other funds	2,135,099	(101,041,780)	(98,906,681)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	4,348,852	12,738,971	17,087,823
	<hr/>	<hr/>	<hr/>
Net change in project equity	4,167,062	3,945,782	8,112,844
<b>Project equity</b>			
Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
End of year	\$ 4,167,062	\$ 3,945,782	\$ 8,112,844
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State Building Authority of the State of Michigan  
Schedule of Bonds Payable at Par  
Including Mandatory Redemption Provisions

September 30, 2011  
(in Thousands)

Year Ending September 30	2011 IIB Refunding Bonds	2011 IIA Refunding Bonds	2011 IB Taxable Bonds	2011 IA Refunding Bonds	2009 II Revenue Bonds	2009 I Refunding	2008 I Refunding	2007 I Multi Modal
2012	\$ -	\$ 155	\$ -	\$ 4,740	\$ 2,665	\$ 9,095	\$ 1,720	\$ -
2013		1,150	420	5,955	2,750	9,525	1,790	
2014		1,185	425	6,130	2,830	9,985	1,855	
2015		1,205	430	6,445	2,915	10,480	1,935	
2016		1,240	440	6,760	3,030	10,985	2,035	
2017		1,280	450	7,105	3,150	11,535	3,130	
2018		1,320	465	7,455	3,280	12,110	41,325	
2019		1,360	480	7,830	3,385	12,720	1,530	
2020		1,400	500	8,220	3,555	13,350	1,610	
2021		1,455	520	8,630	3,690	14,015	1,695	
2022		1,510	540	10,500	3,870	15,105		
2023		1,570	565	10,825	4,395	15,765		
2024		1,640	600	11,360	4,620	16,595		
2025		12,685	640	11,925	4,850	17,425		
2026		13,320	680	12,510	5,105	18,340		
2027		13,990	720	22,435	11,675	3,690		
2028		14,690	765	16,700	8,795			
2029		15,425	810	15,325	8,065			
2030		210	860	17,210	7,030			
2031		65	915	18,025	5,860			
2032		65	970	16,135	6,140			
2033		65		10,240	6,630			
2034		1,740		11,395	3,480			
2035		17,575		13,465				1,215
2036		15,600		5,525				
2037		23,990		5,780			12,110	
2038	14,255			65			70,595	6,025
2039	175	14,200		70			49,275	6,385
2040	15,145			40,220				12,100
2041	1,855	14,200		44,150				
2042	1,145	6,410		20,330				
2043	7,965							19,260
2044	5,250			15,180				
2045				9,240				
2046				1,670				
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Total	\$ 45,790	\$ 180,700	\$ 12,195	\$ 409,550	\$ 111,765	\$ 200,720	\$ 190,605	\$ 44,985

\* Bonds Payable for 2006 Series IA includes the fully accreted values related to its capital appreciation bonds.

2006 I B	2006 I A	2005 II	2005 I	2004 Radio	2003 II	2003 I	
Refunding	Refunding *	Refunding	Refunding	Phase V and	Refunding	Facilities	Total
				Refunding		Program	
\$ 2,860	\$ -	\$ 3,690	\$ 7,665	\$ 12,565	\$ -	\$ 51,050	\$ 96,205
3,010		3,835	6,115	13,180		53,730	101,460
110	3,065	4,395	6,420	13,830		56,550	106,780
	3,175	5,020	6,740	14,560		59,520	112,425
	3,175	5,700	7,075	15,330		62,645	118,415
	14,615	6,430	7,430	7,485		53,500	116,110
	23,935	6,750	7,800	3,960		8,950	117,350
	75,420	7,090	8,190	4,140			122,145
	75,420	7,445	8,600	1,015			121,115
	75,420	7,815	9,030				122,270
	75,420	8,205	9,485				124,635
	56,595	8,615	9,960		18,825		127,115
	56,595	9,045	10,455		19,765		130,675
	56,595	9,500			20,755		134,375
	56,595	9,975			21,790		138,315
	56,595	10,470			22,880		142,455
	56,595	10,995			24,025		132,565
	56,595	11,545			25,225		132,990
	61,820	12,125	15,980		21,265		136,500
	84,145	12,730	16,940				138,680
	84,145	13,365	17,790				138,610
	85,660	14,035	18,680				135,310
	67,275	14,735	17,945				116,570
	68,265	15,470					115,990
	71,675	12,875					105,675
	61,280	2,210					105,370
							90,940
							70,105
							67,465
							60,205
							27,885
							27,225
							20,430
							9,240
							1,670
<hr/>							
\$ 5,980	\$ 1,330,075	\$ 234,065	\$ 192,300	\$ 86,065	\$ 174,530	\$ 345,945	\$ 3,565,270

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit Performed in Accordance with  
*Government Auditing Standards*

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Mr. John E. Nixon, CPA, Director, Department of Technology, Management & Budget  
Mr. Patrick Devlin, Chair, State Building Authority Board of Trustees  
Mr. Thomas H. McTavish, CPA, Auditor General, Office of the Auditor General

We have audited the financial statements of the governmental activities and each major fund of the State Building Authority, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Governor, the Legislature, the State Building Authority Board of Trustees, Office of the Auditor General of the State of Michigan, and management and others within the Authority and the Department of Technology, Management & Budget and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Andrews Hoope Pavlik PLC*

Okemos, Michigan  
December 9, 2011